



Regional Government
Headquarters Recommendation
Closed Session Presentation

MTC/BATA Joint Meeting
July 27, 2011

Introduction

- Not “A Tale of Two Cities”
- Consequences of Delay
- What about ABAG?
- Investment in Regionalism

OneBayArea



METROPOLITAN
TRANSPORTATION
COMMISSION








BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT



Association of
Bay Area Governments



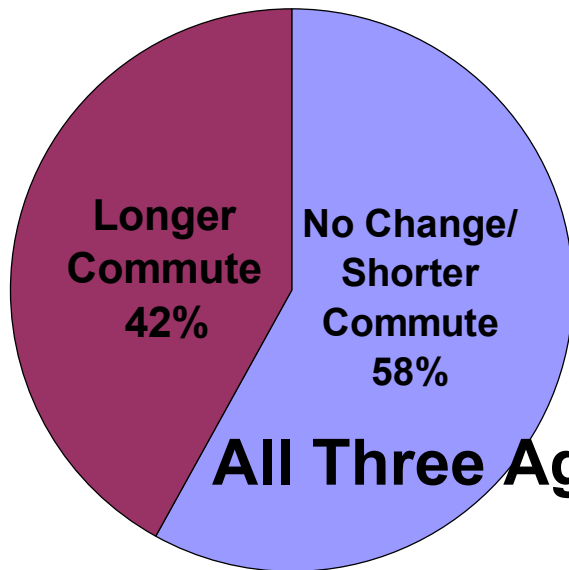
Shortlist Properties

	Sears Retail 1945 Broadway Oakland Major Rehab	Market Center 2 875 Stevenson San Francisco Existing	Key System 1100 Broadway Oakland Build-to-Suit	Clorox HQ 1221 Broadway Oakland Existing	Former P.O. 390 Main San Francisco Rehab
Building					
Location	✓	✓	✓	✓	✓
Contiguous Space	✓	✓	✓	✓	✓
Pricing	✓	✓	✓	✓	✓
Timing	✗	✓	✓	✓	✓
Net Cost		✗	✗	✓	✓
Ownership				✗	✓

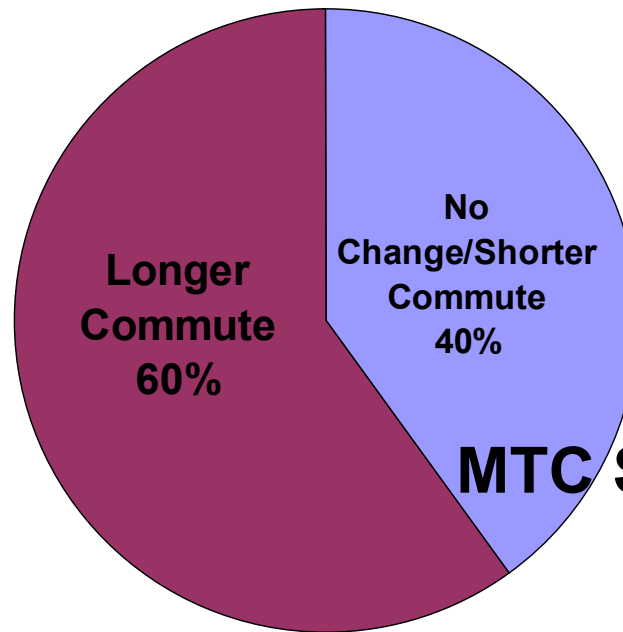
390 Challenges

- **Commute Impact:**
 - ½ mile proximity to BART vs. MetroCenter which sits on top of BART
- **Rehabilitation Budget:**
 - Need for both engineering and architectural improvements to existing structure

Commute Impact



All Three Agencies



MTC Staff

- 70% of MTC staff utilize Public Transit
- Agency agreed to \$41 increase in transit subsidy benefit from \$119 to \$161/month
- MTC commits to developing strategies to address the commute impacts

Financing

- BATA will purchase the building in an all cash transaction (no debt or bond proceeds) through a JPA formed by MTC and BATA
- The JPA will retain the professional assistance to manage the project, including:
 - Project design and construction on turnkey basis
 - Commercial development marketing and lease strategy
 - Overall building management
- Any excess funds will be returned to BATA

Project Budget

- Total project budget including contingencies is \$179.8 million

● Building	\$105,750,000
● Building Improvements	25,160,723
● Tennant Improvements	<u>23,865,792</u>
Building Total	\$154,776,515
● Project Contingency	15,000,000
● Optional Exterior Enhancement	<u>10,000,000</u>
Total Project	\$179,776,515

Property Comparison

● 390 Main is a more effective option than 1100 Broadway

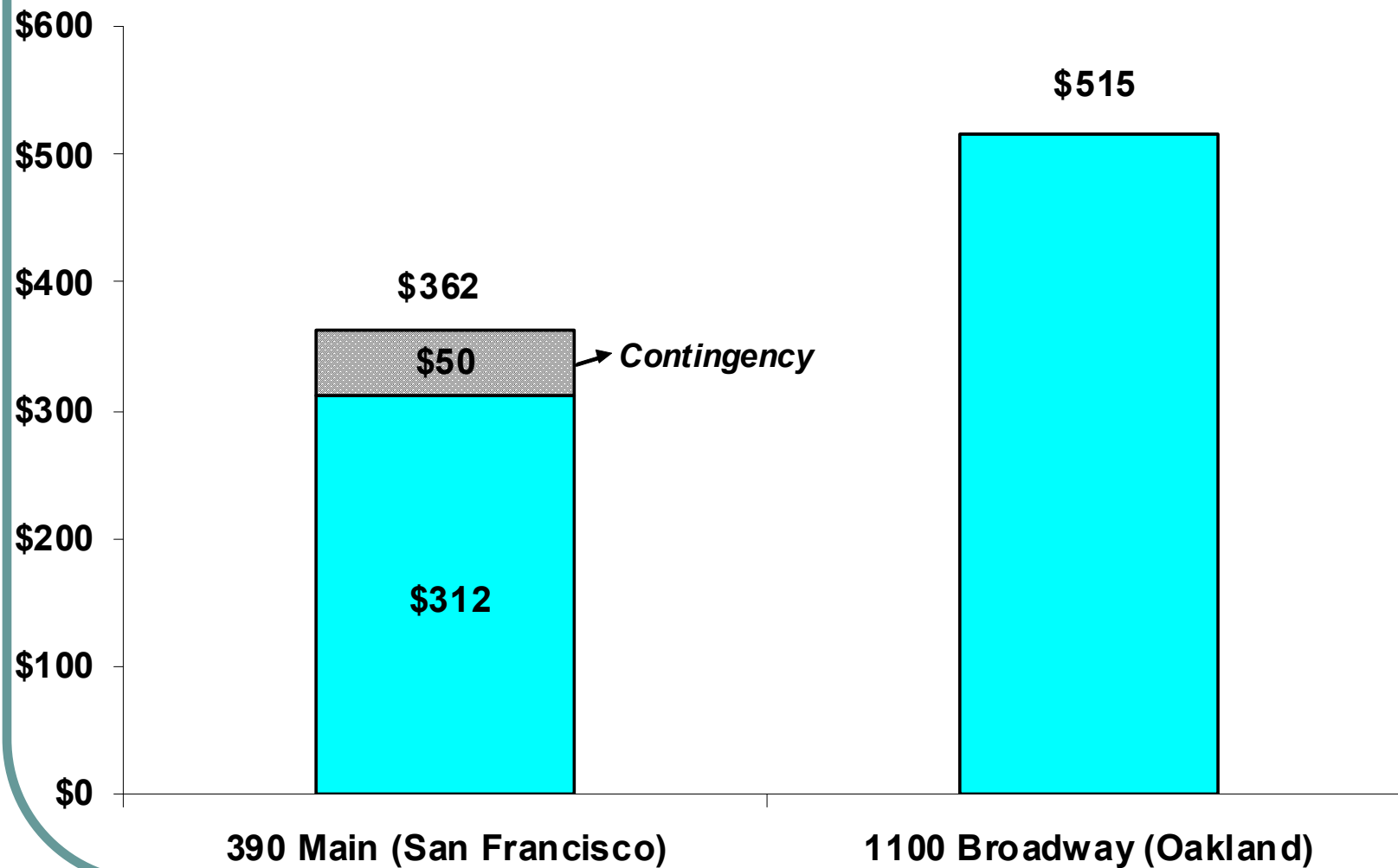
- Cost to occupy 390 Main is \$362 SF vs \$515 SF for 1100 Broadway
 - 1100 Broadway price excludes price of parking and enhanced Leeds level
- 390 Main produces 55% more useable space and income potential
- Estimated costs were reviewed by CBRE, Cushman Wakefield and BATA project team

Purchase	
Building Improvements	
Total Building Cost	
Tenant Improvements	\$ 48
Total Development	
Development Contingency	
Optional Exterior Enhancement	
Grand Total With Options	
S/SF	
Total Building	
Contingency & Option	
Total Project Development	
Agency Space	
commercial space	
Total Space	
Commercial Income Potential	
Rate	\$ 2.70
Vacancy	70%

390 Main San Francisco Post Office	
\$	105,750,000
	25,160,723
\$	130,910,723
	23,865,792
\$	154,776,515
	15,000,000
	10,000,000
\$	179,776,515
\$	312
\$	50
\$	362
	200,000
	297,204
	497,204
\$	6,740,587

1100 Broadway Oakland	
\$	140,951,577
	-
\$	140,951,577
	22,870,440
\$	163,822,017
	-
	-
\$	163,822,017
\$	515
	-
\$	515
	200,000
	118,397
	318,397
\$	2,685,244

Cost Per Square Foot



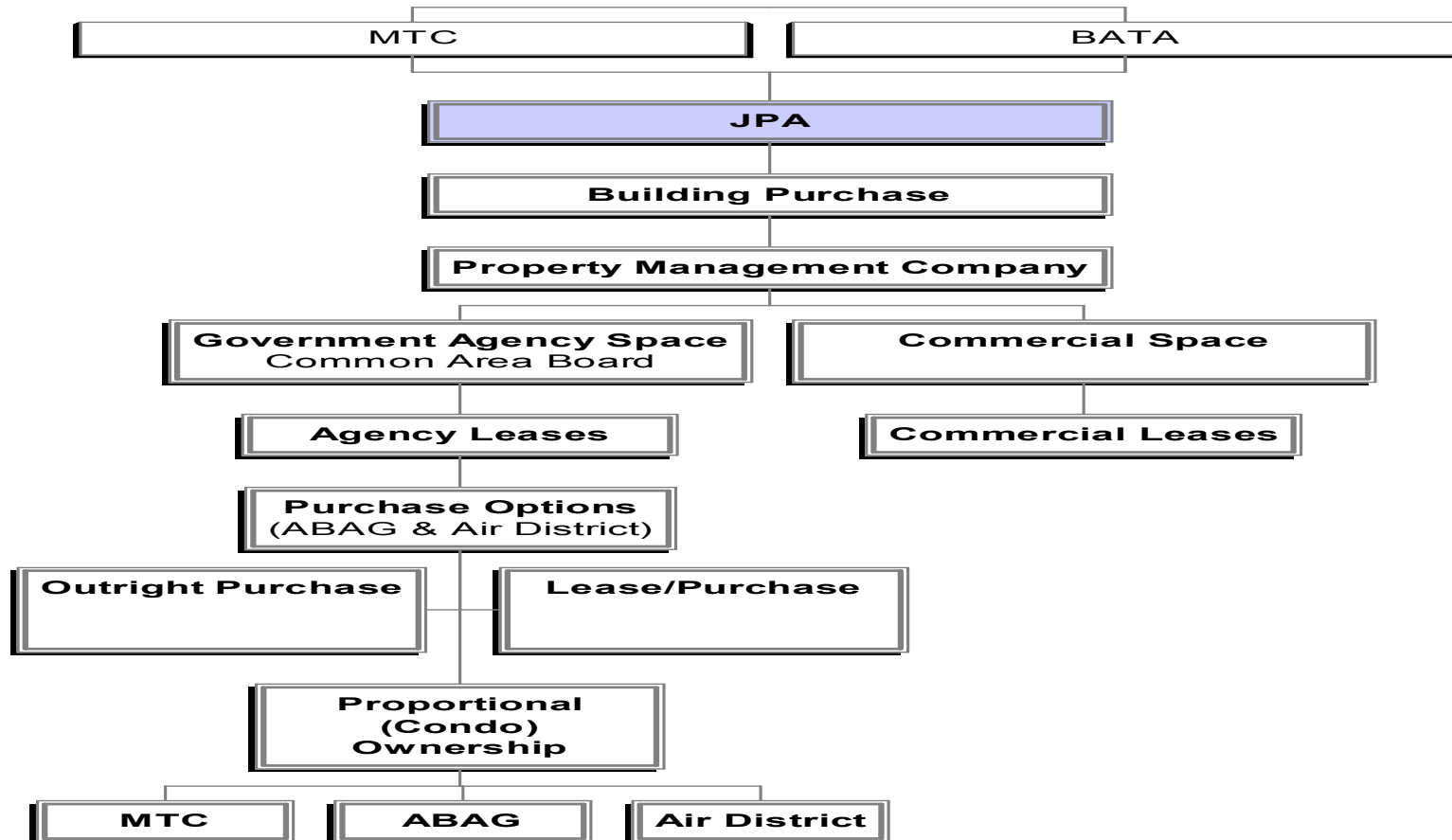
Air District Financing

- Air District has both lease and purchase options
 - Lease based on utilities + lease @ \$1.35 per sf
 - Annual lease (including share of common area) + utilities approximately \$2.2 million adjusted annually for inflation
 - Purchase option
 - Exercisable during first 10 years
 - Purchase price not to exceed \$385 per sf on 60,000 sf, or \$23.4 million.
 - Purchase price all-in turnkey including improvements, power, furniture and equipment
 - Financing terms:
 - Private placement through BATA
 - Rate set annually at +250% to floating index
 - Rate cap at 30 year fixed index (currently 5.30%)
 - 30 year Bond with annual “put”

ABAG Financing

- ABAG has both lease and purchase options
 - Lease: ABAG will receive an all-in lease on approximately 18,000 sf for approximately \$200,000 (including utilities) annually adjusted for inflation. This approximates current “condo fees” ABAG pays at Metro Center.
 - Purchase option: ABAG receives 18,000 sf of turnkey office space in exchange for assigning ground floor ownership rights at Metro Center to BATA.
 - Current value approximately \$6.5 million for 390 Main including improvements and furniture.
 - The 1st floor value is currently estimated to be slightly over \$1 million.

Governance Structure



JPA Responsibilities

- Building acquisition and financing
- Through a property/project manager--
 - Building remodel, upgrade including seismic retrofit, and turnkey preparation
 - Common Area design, development and management (in collaboration with partner agencies)
 - Building maintenance and repair of all common area and *leased* space
 - Commercial development and leasing

Board Action

Closed Session

- *Approve acquisition of 390 Main Street, San Francisco*

Open Session

- *Approve establishment of the Bay Area Headquarters Authority*
 - *Separate BATA and MTC Commission actions required*
- *Approve funding and other actions to acquire, improve and operate 390 Main Street*
 - *Separate BATA and MTC Commission actions required*
- *Approve the Total Project Budget*
 - *BATA Budget Amendment – Reso. No. 98, Revised*

Timeline

